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Respectfully Referred to
Commissioner of Customs

For Division of Inspection and Control

M. R. Tschalen
U. S. TREASURY ATTACHE
SHANGHAI, CHINA

Shanghai

December 15, 1939

REC-11

RUMPER OPIUM MONOPOLY OF SHANGHAI

Importation of
W. A. G. N. S.

The uncertainty in the arrival of foreign steamships has caused irregularity

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Shanghai, resulting from the European War, has sent the price of this in the arrival here of Persian opium, and has sent the price of this class of opium sky-high. In ordinary times the price is around \$20,000 per case and now it is \$30,000 per case, while even \$40,000 per case has been offered lately with no goods available. Due to shortage of stock the Japanese authorities permit only 2 cases of opium per day to be handed over to the Chinese Government Monopoly Bureau for issue to the 4 agents who distribute thru their numerous sub-agents to the various dealers. The local annual importation is said to be 6,000 cases; 4,800 cases sold thru the Chinese Government Monopoly Bureau and 1,200 cases used by the Japanese for the making of derivatives.

One shipment of 1,000 cases for the puppet government arrived on November 16th, and another shipment of 1,000 cases was supposed to arrive on November 27th or 28th, to complete the order for 1939. The latter, however, has been delayed due to a foreign tramp steamer (perhaps British) being afraid to proceed further than Colombo. The Japanese authorities in Shanghai have received a telegraphic message from their agents stating that the foreign tramp steamer is now somewhere near Colombo and will not proceed further for fear of German submarines around that area. The Japanese authorities have already dispatched 2 destroyers to bring this valuable cargo to Shanghai, and expect it to be here some time around December 20th.

Mitsui & Co., (三井物産) is the firm officially appointed by the Japanese as holder of the opium monopoly in Shanghai - not the Mitsubishi Co. as previously reported.

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The sudden stop in the preparations for the proposed new central government by Wang Ching-wei's followers a few days ago was because of the difference of opinion between the Japanese and Wang. One of the points of difference was in respect to the turning over of full control of the gambling houses and opium business by the Japanese to the Wang Ching-wei government, since important revenues are collected from these sources, amounting to \$5,000,000.00 per month with the opium revenue the largest item. Eventually, however, the Japanese authority agreed to waive control of these two businesses. In order not to be outdone in obtaining revenue for the maintenance of Japanese wounded soldiers and the Special Service Bureau, the Japanese authorities, while releasing the opium distribution, are still holding on to the business of opium supply. In furtherance of this plan of control, the Japanese authorities have instructed the Mitsui Company to make an arrangement with a Chinese Hong (appointed already by the Japanese military authority "as a sign board") as Agent of Mitsui Co. This Chinese firm will sell all Persian opium to the Chinese

Government Monopoly Bureau at a profit of 5 to \$5,000.00 per case, the Chinese Hong appearing as a screen for the Japanese authority and receiving for its services 25% of the profit, up to a limit of \$1,000,000.00 on each 1,000 cases of opium sold to the Chinese Government Monopoly Bureau.

The main opium traffic is centered along the Shanghai-Nanking Railway and Shanghai-Hangchow railway, in Wuhu and part of Anhwei Province. These areas consume around 400 to 500 cases per month of first-grade Persian opium.

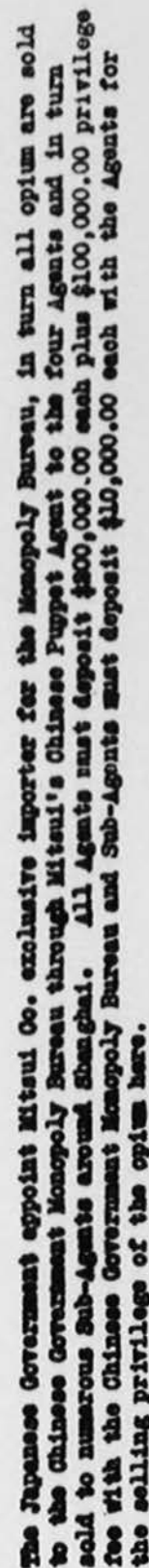
All above relates to Persian opium.

Known to the Chinese as Hsin ah Yuan is the Japanese Government in Shanghai with High Army & Navy Officers controlling everything on the political economy of the Japanese occupied area in China.

~~Mr. Kusumoto (楠本), Army Officer and Mr. Tsuda (津田), Ex-Navy Officer both are representing the Japanese Government in China.~~

Mr. Takahatake (高田) is the Chief of the Head Monopoly Bureau.

one Mr. Yui a Chinese is the Chief of the Chinese Government Monopoly Bureau with a Japanese Adviser over him.



Shanghai, Dec. 15, 1939.